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ACCOUNTING INFORMATION - POWER INSTRUMENT FOR ADVANCED MANAGEMENT IN KNOWLEDGE BASED ORGANIZATIONS

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ABSTRACT: In elaborating the paper, we started from the idea of the necessity of knowing the reasons that determined the reconsideration of the importance of accounting information, in order to ensure survival, performance and durability of businesses in the context of the new challenges launched by the world economy. Continuous adjustments that influence companies impose the necessity of reassessment of accounting information as a management instrument, to determine the situation, to notice the opportunities and risks derived from the company's overall policy, to observe strengths and weaknesses, to make adequate decisions in time and, more than that, to control the results obtained. Finally, we concluded that the difficulty of reflection of operations generated by the phenomenon of the sustained development of organizations determined reconsideration of financial-accounting information systems and generated new terms such as: knowledge management, knowledge transfer, knowledge sharing and knowledge organizations.

KEY WORDS: Knowledge based organization, Accounting information, Management Information System, Knowledge management

Introduction - Accounting Information in the Knowledge Based Economy

During the last centuries, we have witnessed a series of changes which characterize the evolution of human society, the transition to a new economy – the knowledge based economy. This transition materialized at international level in the following main phenomena and processes: the globalization of the material and immaterial exchange flows (financial and informational) doubled by the regional integration and at national level by reviving the interest of the states for the sustainable development, regarded under the three defining aspects (economic, ecological, social).

Richness and power will result mainly from the intangible sources, from information. The information becomes the main element for obtaining high productivity and for the competitiveness of the companies, economic branches, national economies and the world economy on the whole.

The present world has been for over a century in a period of increase of the information flow. Many successful business activities were based on acquiring knowledge, on informational capital, but only recently did the entire reconfiguration of the information itself change the economy on the whole. At enterprise level, there is a significant mutation as a result of increasing the importance of the intangible. The organization as a system has the handling of the resources as its objective and implicitly involves information. In order to ensure the handling of the resources, these have to be measured, evaluated, and the means at hand is the

information. The information is indispensable to the functioning of any organization, as it allows the achievement of the aims in view.

1. Can Accounting Information Be Assessed and Recognized Through the Added Value It Creates, As an Intangible Asset in Knowledge Based Organizations?

In the context of passing to the knowledge-based economy, intangible goods acquire greater and greater importance, but the importance of accounting information for the knowledge-based organizations cannot be ignored. As long as this meets the quality characteristics it generates added value for the commercial partnership which uses it. Then can we integrate the accounting information into the intangible assets?

The international accounting standard IAS 38 – Intangible assets – identifies the intangible assets as being identifiable non-monetary assets, controlled by the enterprise as a result of some previous events “, the existence of the possibility that the partnership gets “future economic benefits which can be attributed to the respective assets”, and the cost of the assets to be measured correctly”. But these criteria are met by very few intangible elements which make up the intellectual capital. The result is that most of the intangibles acquired through transactions are registered as assets, while the similar elements produced internally are registered as expenses of the period. Even more, because the existence of the intangible resources is difficult to check, they could be used to operate or even to manipulate the result.

Even if many researches demonstrate the importance of accounting information for creating added value, there still remains the problem of its evaluation. Can there be developed an evaluation pattern which allows the comparability of the commercial partnerships?

In the present-day economy, the element which can be most easily evaluated is cash. However, cash cannot represent the measure for anything any longer. Consequently, the management of accounting information requires the development of new methods that allow the delimitation of this notion. Among the approaches used, there can be distinguished those which adopt a purely quantitative point of view and find the justification in a financial accounting prospect and those which adopt a qualitative point of view and aim to create some devices for the enterprise.

A solution to this problem would be the use of the method called “benchmarking”, through which the activity in the current year is compared to that in the previous year and with the competitors’, in this way the intangible assets become visible and can be measured. However, none of the existing methods can measure exactly the weight and the flow of accounting information necessary for a competitive management of the commercial partnerships.

In his paper, *Methods for Measuring Intangible Assets* (Sveiby K, 2001), Karl Sveiby suggests a grouping of the evaluation methods of the intangible assets met in practice in: direct methods of assessing the intellectual capital, assessment methods based on the market capitalization, assessment methods based on the rate of return of the assets and assessment methods based on the balance score card.

Quantifying the information remains a problem open to the analysis of the professional accountants because of lack of standardization of most of the indicators used in the patterns of evaluation. The non-standardization of the indicators appears because in most cases, the existing evaluation patterns are made for a certain commercial partnership and thus they are influenced by the specific conditions of the partnership analyzed, not being representative for the whole partnership.

The information does not carry value in itself; its value derives from the change value in the decision-making behaviour from which the costs of producing information are obviously

deducted. The present tendency is to have at one's disposal more information at one's disposal, particularly more up-to-date, but an item of information can be better only if this implies positive results of the decision-making process, in other conditions the information does not have value. Only after the communication and the interpretation through understanding of the data by their receiver, together with their transformation in information can there appears value, by using the information for intensifying the decision-making process.

The organization and the management of accountability is an obligation of the legal person within the market economy and represent a device of economic-financial knowledge. In all the organizations, especially in the small and medium-sized organizations, the operations are very rarely directly observed. These wait for making decisions, the preparation of plans and activity control. By using the information that can be obtained from the formal sources – for example from the MIS of the enterprise – or from informal sources, like direct discussions, phone calls, social contacts etc.

2. AIS (Accounting Information System) - Power Instrument for Advanced Management in Knowledge Based Organizations

The new challenges set on company management have led to an awareness of the necessity and importance of information in insuring the survival, performance and endurance of knowledge organizations. The difficulty in reverberating operations generated by the companies' continuous development phenomenon have generated the rethinking of their financial information systems and generated new terms such as: knowledge management, knowledge transfer, knowledge sharing and knowledge organizations. The continuous developments of large companies and industrial groups have determined a rise in information complexity. All of these alterations in the world economy impose the need for **designing an accounting information system adapted to knowledge organizations**, to ascertain the knowledge's organizations true status, reveal the opportunities and risks relevant to the knowledge organizations policy, to indicate the strengths and weaknesses, so that adequate decisions can be made at the right time, and more so, that the effects obtained from all this may be controlled.

The system proposed answers concrete questions regarding the need for information manifesting itself within the knowledge organizations, primarily destined for the decision factors that can influence the knowledge's organizations policy. In elaborating the system, we started at the need for knowing the causes which have determined the apparition of knowledge organizations, defining the group types and the relationships which may appear within the knowledge organizations.

Following this step, we established requirements for efficient operations, signaling possible restrictions which may turn up in the accounting information system's operation, named the information flows, defined WHAT?, HOW?, WITH WHAT? or WITH WHOM?, WHAT ARE THE RESULTS? of each system and who the final users of the information furnished by the two subsystems developed are. Concerning system requirements, we considered that it must provide a true view of the patrimony of the entire knowledge organizations, provide information in expedient time – for efficient management, and to be in accordance with the requirements imposed by the IAS/ IFRS. Regarding the restrictions which may occur in system operation, we defined restrictions generated by the evolution of the operation perimeter in time, legislative restrictions, fiscal restrictions, and last but not least, accounting information internal administration restrictions.

The evaluation and the recognition of the accounting information (as demonstrated in the first chapter) in financial statements ask specific evaluation models adapted for

knowledge based organizations and further these organizations appear as a succession of companies' consolidation, in most of the cases. So, we defined the accounting information subsystem used for obtaining financial statements in accordance with IAS/IFRS, named the entries, the processing/consolidation algorithm, as well as the system exits.

We defined the accounting information subsystem for obtaining supplementary statements – **complementary information tools for advanced management in knowledge based organizations**. To this end, we defined the subsystem's objectives, the entries in the subsystem, named the financial information's processing and consolidation algorithms, defined the resources (material, technical and human) used in the processing/consolidation process and inventoried the exits from the subsystem.

The designed accounting information system's objective is creating a direct and on time bi-directional link between the two systems: operational and decision:

- operational – The accounting information subsystem for obtaining annual financial statements in accordance with IAS/IFRS,

Figure no. 1. Information processing scheme within the accounting information subsystem for obtaining financial reports, in accordance with IAS - IFRS

ENTRIES IN THE SUBSYSTEM	The balance sheet of every entity within the group	1. Reconsidering and adjusting the individual financial statements of the consolidated companies; the assessing of the accounting information, the application of accounting information which must permit the comparability between, evaluation method which allows the comparability of the commercial partnerships.	Consolidated balance sheet	SUBSYSTEM EXITS
	Profit and loss account for every entity within the group	2. Taking over and cumulating the elements within the financial statements of the companies which define the group.	Consolidated profit and loss account	
	Shareholders equity variations for each entity within the group	3. Eliminating the mutual accounts and operations, as well as the internal results.	Consolidated shareholders' equity variations status	
	Treasury funds flow panel for each company within the group	4. Eliminating the mutual accounts and operations, as well as the internal results.	Consolidated treasury flows panel	
	Accounting policy and explanatory notes for each entity within the group	5. Eliminating the participation titles and allotment of shareholders' equity	Accounting policy and explanatory notes	
		6. The information processing and consolidation algorithm according to IAS - IFRS		

- decision – The accounting information subsystem for obtaining supplementary statements, as complementary information tools for advanced management in knowledge based organizations.

Figure no. 2. Information processing scheme within the accounting information subsystem for obtaining complementary information tools for advanced management in knowledge based organizations

ENTRIES IN THE SUBSYSTEM	Current information required	1. Determining the mother company and the subsidiaries, determining the information holders	Daily dashboards	SUBSYSTEM EXITS
		2. Defining the time, company and participation percentage indicators (ID)		
		3. Exporting the transaction files which will be put up for consolidation by the subsidiaries	Recurrent dashboards: monthly quarterly biannual annual	
	Recurrent information required	4. Converting the information supplied by the foreign companies	Special notices (according to the events with significant impact on the group)	
		5. Testing the information (packs) supplied by subsidiaries, made from ID indicators, measures and transaction files		
		6. Importing information by the mother company with data storage programs "data mart" and "data warehouse"	Other reports predefined by the system	
	Special information required	7. Processing the information imported by the mother company on the data mining system		
		8. Generating the dashboards, reports and notifications		
		9. Processing algorithms for the financial information for the knowledge's based organizations management		

Conclusions

New challenges given to company management have lead to the realizing of the need for and importance of information with the purpose of ensuring survival, performance and durability of groups. The difficulty of reflecting operations generated by the continuous development phenomenon of societies, has determined the reconsideration of financial information systems and generated new terms, such as: knowledge management, knowledge transfer, knowledge sharing and knowledge organizations. The continuous development of large companies and industrial groups has determined the growth in the degree of complexity of the information.

All of these alterations in world economy have imposed the need to project **an accounting-information system adapted to knowledge organization**, which:

- shows the actual situation,
- notifies the opportunities and risks related to knowledge organizations policy,
- shows the strengths and weaknesses,

- d) makes adequate decisions in due time,
- e) and even more so, controls the effects obtained.

Extremely important for the decision-making process is the understanding of the way in which the individuals evolve and process the information. The possibility of setting up decision-making patterns which take into account the changeable information and which process it, at lower cost and with a higher informational relevance for the users should also be taken into consideration.

Most managers agree that information is their most important value driver, the difficulty, however, is how to manage measure and report this important asset. Any organization has countless intangible and knowledge-based resources that can be combined in limitless ways to create value. The question is, which of these assets are most critical to achieving the strategic objectives and how can they be combined to produce the ever more important, sustainable, competitive advantage.

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